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INTRODUCTION

° This Briefing Book has been prepared to provide information on the impact on CIA of retirement related reforms brought about by the recent enactment of the Social Security Amendments of 1983 and the prospective efforts by the Administration and the Congress to institute a special supplemental retirement plan for federal employees hired after 31 December 1983.

° The focus of the material provided is on the importance of expanding understanding and support within the Administration and Congress of CIA needs to preserve in such supplemental retirement plans essentially the same retirement eligibility and annuities in effect under the current Civil Service and CIARDS laws.

° The Book is organized in three segments of varied detail to provide appropriate reference material for use by Agency officials with liaison relationships in expanding supportive understanding among their Administration and Congressional contacts.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

RETIREMENT REFORM AND IMPACT ON CIA

It can be expected that in 1984 the Administration or Congress will introduce special supplemental retirement plan proposals for participation by federal employees hired after 31 December 1983. Serious future problems for CIA are foreseen unless the early retirement provisions of such a plan are essentially the same as under current Civil Service and CIARDS law.

The institution of a future plan which imposes heavily reduced benefits for early retirement and/or extends the eligibility age for reasonable annuities will:

Essentially eliminate early retirement by employees who decide to spend their careers in the federal service. Typical retirements will be at 65 years of age or older with 35 to 40 years of service in order to qualify for full annuity and pension benefits.

Conversely, through establishing the portability of Social Security coverage from federal service to the private sector, will stimulate movement of younger officers to non-government employers offering higher inducements.

Eliminate a vital management tool to CIA--the current provisions of both Civil Service and CIARDS law--which has provided the Agency with a capability to recruit and maintain the quality workforce in both the domestic and foreign sides of the Agency so essential to serving the Nation's vital intelligence needs.

Eliminate one of the strongest inducements for recruitment--the ability to offer, in return for service in demanding and often hazardous circumstances, the prospects of a career with developmental opportunities, timely promotions, and retirement with non-reduced annuities at a relatively young age.

Create severe blockages in our career paths and seriously impair the ability of management to move promising individuals through needed rotational and developmental assignments.

Essentially reduce promotion headroom in future years as employees defer their retirement to age 65 or later with 35 or 40 years of service.

Nullify the understanding and intent of Congress when it enacted the CIARDS Act in 1964 in recognition of the special circumstances of service with the Clandestine side of the Agency abroad. The circumstances of frequently dangerous and adverse conditions can lead to early burnout or compromise. The absence of early retirement incentives for these employees would be severely incompatible with effective staffing of our overseas stations.

Establish portability of Social Security coverage which would result in increased turnover of intelligence personnel and present increased security threats to safeguarding national security information.

Include CIA personnel, whether overt, covert, or potentially covert in the Social Security data base and poses severe security risks in terms of protecting the identities of individuals and the access by unauthorized persons to complete listings of all CIA personnel.

CIA's Primary objectives regarding future retirement system reforms are:

Preservation of age and service eligibility and non-reduced annuity provisions for early retirement under the civil service retirement system and the CIARDS, for current on-board employees and; provide similar provisions for future Social Security covered employees in special supplemental plans enacted into law. It is essential that the current early retirement provisions of both the Civil Service and CIARDS systems be retained as vital management tools for the recruitment and maintenance of the type of dynamic workforce needed to meet CIA requirements.

Prospectives for future actions are:

A. The civil service "reform" proposals outlined in the President's FY-1984 budget met such extensive opposition in both the Senate and House in early 1984 that the Administration did not introduce formal legislation. It can be expected that such legislation will be introduced at some future date.

B. The passage of the Social Security Amendments of 1983 without concurrent additional legislation to provide the intended supplemental plan, has now triggered Congressional action in compiling information leading to the development of a supplemental plan. The product of these efforts may not be fully fleshed-out until mid-1984 or early 1985 but this interim period can provide the opportunity for the Agency to develop understanding and support for CIA's needs among a broader spectrum within the Administration and the Congress. Such support during the design and development phase of the supplemental plan could assure protection of CIA's interests at the onset and preclude future issues.

C. Action already initiated by the Office of Personnel toward the design of a CIA supplemental retirement plan should be continued to completion with a full plan in hand for future input when Congress begins formulation of the actual provisions of their proposals.

GENERAL SUMMARY

GENERAL SUMMARY

RETIREMENT REFORM AND IMPACT ON CIA

I. Background

The expressed intention of both the Administration and Congressional leaders to establish a supplemental retirement plan for Social Security-covered federal employees hired after 31 December 1983, presents serious future problems for CIA unless the early retirement provisions of such a plan are essentially the same as under current Civil Service and CIARDS retirement law.

The conceptual description presented by the Director of the Office of Personnel Management before the House Post Office Civil Service Committee in March 1983 of the Administration's supplemental plan would impose severe penalty reductions for early retirement and essentially eliminate early retirement as a viable option for most federal employees.

For the present at least, the Administration has deferred action as regards introducing legislation for such a plan.

The Senate Governmental Affairs and House Post Office and Civil Service Committees have recently initiated in-depth studies leading to design of a government-wide supplemental plan. A source associated with the House effort has indicated that at this point the intent is to design a plan that provides essentially the same retirement eligibility and annuities currently in effect under the Civil Service Retirement Act. Final work on the plan is not expected before November 1984 with the introduction of legislation in early 1985.

Actions already initiated by the Agency toward the design of a CIA supplemental plan should be continued to completion to assure future readiness and input when Congress begins formulation of their plan proposals.

The late 1984 tentative target date for completion of the House studies provides the opportunity for the Agency to develop understanding and support for CIA's special needs across a broader spectrum within the Administration and Congress.

The broad retirement "reform" proposals cited in the President's FY-1984 budget would, if ever enacted, present extreme problems for CIA in terms of impact on all current civil service and CIARDS employees. Strong opposition within the Congress has resulted in the current suspension of action by the Administration to introduce enactment legislation. It must be expected that such legislation will be introduced at some future date.

II. General Impacts on CIA

Social Security coverage coupled with current federal retirement or a future reduced-benefit supplemental plan will present problems:

- A. Greatly increase retirement related employee costs from current 7% of salary to 12.7% under present law.
- B. Extend the age/service eligibility date for full retirement benefits accrual and create disincentives for employees to consider early retirement as a viable action.
- C. Establish the portability of Social Security coverage from federal employment to private sector careers.
- D. The institution of a future supplemental plan which would provide essentially the same eligibility and annuities currently in effect under civil service and CIARDS law is essential to CIA in modifying disincentives and permit maintenance of the quality workforce essential to accomplishment of the Agency missions.

III. Specific Impacts on CIA

Institution of a future supplemental plan which imposes heavily reduced benefits for early retirement and/or extends the eligibility age for reasonable annuities will:

- A. Eliminate a vital management tool to CIA--the current provisions of both Civil Service and CIARDS law--which has provided the Agency with a capability to recruit and maintain the quality workforce in both the domestic and foreign sides of the Agency so essential to serving the Nation's vital intelligence needs.
- B. Eliminate one of the strongest inducements for recruitment--the ability to offer, in return for service in demanding and often hazardous circumstances, the prospects of a career with developmental opportunities, timely promotions, and retirement with non-reduced annuities at a relatively young age.
- C. Create severe blockages in our career paths and seriously impair the ability of management to move promising individuals through needed rotational and developmental assignments.
- D. Essentially reduce promotion headroom in future years as employees defer their retirement to age 65 or later with 35 or 40 years of service.
- E. Nullify the understanding and intent of Congress when it enacted the CIARDS Act in 1964 in recognition of the special circumstances of service with the Clandestine side of the Agency abroad. The circumstances of frequently dangerous and adverse conditions can lead to early burnout or compromise. The absence of early retirement incentives for these employees would be severely incompatible with effective staffing of our overseas stations.
- F. Establish portability of Social Security coverage which would result in increased turnover of intelligence personnel and present increased security threats to safeguarding national security information.
- G. Include CIA personnel, whether overt, covert, or potentially covert in the Social Security data base and poses severe security risks in terms of protecting the identities of individuals and the access by unauthorized persons to complete listings of all CIA personnel.

IV. Objectives

Preservation of age and service eligibility and non-reduced annuity provisions for early retirement under the civil service retirement system and the CIARDS, for current on-board employees and; provide similar provisions for future Social Security covered employees in special supplemental plans enacted into law. It is essential that the current early retirement provisions of both the Civil Service and CIARDS systems be retained as vital management tools for the recruitment and maintenance of the type of dynamic workforce needed to meet CIA requirements.

V. Prospective Actions

A. The civil service "reform" proposals outlined in the President's FY-1984 budget met such extensive opposition in both the Senate and House in early 1984 that the Administration did not introduce formal legislation. It can be expected that such legislation will be introduced at some future date.

B. The passage of the Social Security Amendments of 1983 without concurrent additional legislation to provide the intended supplemental plan, has now triggered Congressional action in compiling information leading to the development of a supplemental plan. The product of these efforts may not be fully fleshed-out until mid-1984 or early 1985 but this interim period can provide the opportunity for the Agency to develop understanding and support for CIA's needs among a broader spectrum within the Administration and the Congress. Such support during the design and development phase of the supplemental plan could assure protection of CIA's interests at the onset and preclude future issues.

C. Action already initiated by the Office of Personnel toward the design of a CIA supplemental retirement plan should be continued to completion with a full plan in hand for future input when Congress begins formulation of the actual provisions of their proposals.

DETAILED SUMMARY

DETAILED SUMMARY
RETIREMENT REFORM AND IMPACT ON CIA

I. BACKGROUND

A. The recent enactment of the Social Security Amendments of 1983 requires that all new federal employees hired after 31 December 1983 must be covered under Social Security. In addition to establishing mandatory Social Security coverage for new federal employees, this legislation removed the previous statutory prohibition against federal employees concurrently participating in civilian federal retirement systems. Under current provisions of federal civilian retirement system law, all regular civilian federal employees must participate and contribute to applicable civilian retirement plans. Effective 1 January 1984 therefore, all new hires must participate in both Social Security and current federal retirement systems until such a time as retirement system statutes are amended.

B. In the same timeframe that the Social Security Amendments of 1983 were being considered in the Congress, the Administration expressed the intention of introducing companion legislation for the institution of a new supplemental retirement system for these new employees. This new plan would require lower employee contributions and lower future benefit pay-offs than current federal retirement plans and the imposition of severe reductions in annuities for early retirement. The Administration has not introduced any legislative proposals relative to the supplemental plan as of this time.

C. Action has recently been initiated in both the Senate (Governmental Affairs Committee) and the House (Post Office Committee) for in-depth studies of pension systems leading to the development of a supplemental plan appropriate to the needs of future federal employees. Informal discussions with an official associated with the House effort indicate that one of the current objectives in designing a plan would preserve the same retirement eligibility and annuities currently in effect under the Civil Service Retirement Act. If this proves to be the case, CIA could concentrate our legislative effort to secure a special supplemental plan for CIARDS-type personnel.

II. GENERAL EFFECTS OF SOCIAL SECURITY COVERAGE OF NEW EMPLOYEES

A. Under Current Statutes and Under the Concepts of the Administration's Supplemental Plan

1. Increased Cost of Coverage to Employees

a. Under present law cost for retirement related programs for new employees hired after 31 December 1983 will increase from the current 7% of salary to 12.7% (5.7% Social Security and 7% federal retirement).

b. Under the Administration's concept of a supplemental plan the employee payroll costs would be 11.3% (5.7% for Social Security and 5.6% for the supplemental plan). According to statements before the House Post Office and Civil Service Committee by Dr. Donald Devine, Director, Office of Personnel Management, the supplemental plan would incorporate the same "reforms" proposed for the regular Civil Service retirement system which would impose severe penalty reductions in annuities for early retirement before age 65.

2. Other Effects on Workforce Management

a. Essentially eliminate inducements for early retirement by employees who decide to spend a working career in the federal service. Retirement can be expected at 65 years of age or later, with 35 to 40 years of service to qualify for full annuity pay-offs.

b. Establish the portability of Social Security coverage from federal employment to private sector careers. The experience and training gained at government expense will greatly stimulate movement of mid-level and younger employees from federal service to non-government competitors offering higher salaries and more attractive retirement plans.

III. SPECIFIC IMPACTS ON CIA AND NEEDS OF THE AGENCY

A. Early Retirement as a Management Tool in the CIA

The CIA has a long established policy which encourages employees to retire at ages substantially earlier than elsewhere in government. The average retirement age in CIA in 1982 was 56.9 under Civil Service and 52.8 under the Central Intelligence Agency Retirement and Disability System (CIARDS).

This policy has been based on recognition that the Agency's vital missions require that the corps of careerists perform their operational, analytical or support duties with sustained high motivation and undiminished effectiveness from their initial entry assignment throughout a preferably brief career of 20 to 30 years. The early retirement provisions of the Civil Service Retirement and CIARDS systems have served the Agency exceedingly well to attract new recruits, provide timely career progression, and encourage retirement of personnel when Agency management prefers that they retire. Extension of the retirement age for full annuities would seriously impair the ability of Agency management to maintain the employee flow-through which is essential to maintaining maximum effectiveness in meeting requirements.

The predictability of early retirement has provided Agency management with the ability to offer our personnel essential developmental assignments and promotion within reasonable timeframes to reward excellence of performance. The institution of retirement changes whereby full benefits would not accrue until age 65 would impose prohibitive penalties for early retirement and result in extreme blockages both as regards developmental assignments, promotion headroom, and the resultant extension of service of large numbers of employees well beyond their currency in the state-of-the-art in substantive areas and their capacity to handle the milieu of clandestine operations.

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B. Recruitment of New Employees

1. The Agency recruits approximately [] technical and professional employees each calendar year. In spite of numerically high numbers of job seekers in the labor market because of economic conditions, the specific types and caliber of people sought by the Agency are extremely difficult to recruit. Particular problems are encountered in a wide spectrum of high competition areas for critically needed subject and area analysts, computer specialists, advanced scientific and high technology personnel, communications specialists and operations officer trainees.

The majority of the Agency's recruits for experienced professional area experts, economic, political and military intelligence analysts, and scientific and technical analysts are drawn from the ranks of private enterprise and/or academic and research facilities. The inducement to join CIA is made up of a combination of interests in serving the Nation in a vital capacity, the opportunity for a career where their experiences and knowledge will be fully utilized, reasonable compensation, and retirement at a relatively young age permitting a return to academia or other pursuits.

2. The Career Trainee Program, which provides the entry group for young operations officers, must necessarily be highly selective from among the best qualified and most sought after young people from the graduate schools of the Nation. Even with continuous special and concentrated recruitment efforts to attract qualified career officer trainees it is extremely difficult to recruit the types and numbers of these young people that we need to meet our requirements. This difficulty is occurring in spite of the attractiveness of the current Agency career development programs, which offer opportunity for desirable rotational assignments, timely promotion, and the prospects of future retirement with a full annuity under CIARDS at a relatively young age (50) after a minimum of 20 years of service.

3. The Agency's ability to meet its 'new hire' requirements will be critically weakened by any dilution of the combined career and benefit 'package' currently available. The relatively high employee costs for both Social Security and Civil Service coverage will present a problem. There is no doubt that many qualified and interested young officer candidates would decline employment simply because of these cost factors. An additional number of candidates would lose interest as the prospect of affordable future retirement was extended to age 65.

4. While the option for early retirement would be retained in the Administration's proposed supplemental retirement plan, it would impose prohibitive annuity reductions for such an election. Early retirees would be faced with a fragmentation of the annuity benefits with a deferral of the full Social Security portion until age 65 (66 in the year 2009 and 67 by the year 2027). An estimated comparison of employee costs, options, and retirement benefits under current Civil Service retirement provisions with those under Social Security and the provisions of the Administration's supplemental plan are presented in Tab A.

5. The recruitment of both analytical and operational personnel is conducted in a most competitive market. The combined attractiveness of the Agency's current opportunity and benefits package has greatly assisted in offsetting the high cost of living in the Washington area and the relatively low starting salaries (1982 average annual salary was approximately \$23,500) per year for approximately professionals and technical recruits.

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C. The Extension of Retirement Age for Full Annuities and Other Impacts

Mandatory Social Security coverage and the lengthening of service of new Agency employees by up to ten years would create the following problems as regards maintenance of the quality of personnel so essential to meeting our requirements:

1. Create severe future blockages in all career paths and seriously impair the ability of Agency management to move promising individuals up through needed rotational and developmental assignments.

2. Essentially reduce promotion headroom in future years as employees defer their retirement to age 65 with 35 to 40 years of service.

3. The CIA Retirement and Disability System was established by law in 1964 in recognition of the special circumstances of service with the Clandestine side of the Agency abroad. This special retirement system offers nonreduced annuities for members (approximately 20 percent of the work force) at age 50 with 20 years of service. The circumstances of frequently dangerous and adverse working and living conditions can lead to early burnout or compromise of personnel carrying out the overseas activities of the Agency. The absence of early retirement incentives for these employees would be severely incompatible with effective staffing of our overseas stations.

D. Security Considerations

1. The portability of Social Security coverage, combined with experience and training gained at government expense will stimulate midlevel employee movement to private sector employment.

2. Increased turnover from the ranks of intelligence personnel will make it increasingly difficult to safeguard national security information.

3. Inclusion of CIA personnel whether overt, covert or potentially covert in the Social Security data base poses severe security risks in terms of protecting the identities of individuals under cover and the access by unauthorized persons to complete listings of all CIA personnel.

IV. ACTIONS TAKEN AND RESULTS OF PRESENTATIONS OF CIA'S MANAGEMENT NEEDS TO KEY ADMINISTRATION AND CONGRESSIONAL OFFICIALS

A. Actions Taken

1. The Director discussed his concerns with the President and key Congressional and Administration officials. See Tab B.

2. During the period January through May 1983, the Agency has worked closely with the Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence to insure the retirement program needs of the CIA and our employees are understood. Both the potential problems inherent in the Social Security amendments and the more extensive problems associated with the President's "reforms" proposed in the FY-1984 budget were stressed in a number of briefings held with Congressional Staff members. A series of memorandums were also forwarded providing detailed information. See Tab C.

B. Responses to Actions Taken

1. Top Congressional leaders were unanimous in their support of the Social Security Amendments of 1983 and coverage of all new federal employees because of the critical need to provide monies into the Social Security Trust

Fund. Informal discussions with members of the staffs of both the Senate and House Intelligence Committees regarding the possibility of exemption of the CIA from the Social Security legislation clearly indicated that exemptions for any Agency would not be supported in the Congress at large.

2. The respect, support, and understanding by both the Senate and House Intelligence Committee Staffs of the CIA's needs for preserving the essential features of the Civil Service and CIARDS system (as regards the current statutory systems and prospective supplemental plans) was consistently evident and most gratifying. Particularly gratifying were formal expressions of support from Representative Edward P. Boland, Chairman of the House Permanent Select Committee on Intelligence and Senator David Durenberger of the Senate Select Committee on Intelligence. See Tab D.

V. OBJECTIVES

Preservation of age and service eligibility and non-reduced annuity provisions for early retirement under the civil service retirement system and the CIARDS, for current on-board employees and; provide similar provisions for future Social Security covered employees in special supplemental plans enacted into law. It is essential that the current early retirement provisions of both the Civil Service and CIARDS systems be retained as vital management tools for the recruitment and maintenance of the type of dynamic workforce needed to meet CIA requirements.

VI. PROSPECTIVE ACTIONS

A. The civil service "reform" proposals outlined in the President's FY-1984 budget met such extensive opposition in both the Senate and House in early 1984 that the Administration did not introduce formal legislation. It can be expected that such legislation will be introduced at some future date.

B. The passage of the Social Security Amendments of 1983 without concurrent additional legislation to provide the intended supplemental plan, has now triggered Congressional action in compiling information leading to the development of a supplemental plan. The product of these efforts may not be fully fleshed-out until mid-1984 or early 1985 but this interim period can provide the opportunity for the Agency to develop understanding and support for CIA's needs among a broader spectrum within the Administration and the Congress. Such support during the design and development phase of the supplemental plan could assure protection of CIA's interests at the onset and preclude future issues.

C. Action already initiated by the Office of Personnel toward the design of a CIA supplemental retirement plan should be continued to completion with a full plan in hand for future input when Congress begins formulation of the actual provisions of their proposals.



COMPARISONS OF RETIREMENT OPTIONS AND BENEFITS

BASED UPON:

- A. Current provisions of Civil Service Retirement.
- B. Current Social Security provisions to cover new federal employees; current Social Security contribution rates for 1984 and; current pay-off maximums of Social Security Benefits.
- C. Assumptions that the proposed Supplemental Retirement Plan will include same basic provisions as cited in Presidential FY-1984 Budget proposals regarding extending retirement age, imposition of early retirement penalties, and using high-5 year average salary as annuity base.

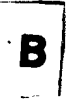
COMPARISONS OF RETIREMENT OPTIONS AND BENEFITS

Federal Employee Under Current Civil Service
Compared With
Federal Employee Under Proposed Social Security
Coverage and Supplemental Retirement Plan

CASE EXAMPLE: 55 Year Old with 30 Years of Service--Retired as GS-12, Step 5

<u>CURRENT CIVIL SERVICE (CSR)</u>	<u>COMBINED SOCIAL SECURITY AND SUPPLEMENTAL RETIREMENT PLAN (SRP)</u>
Employee Cost - 7% of Salary	Employee Cost - 11.3% (5.7% Social Security and 5.6% SRP) of Salary
High-3 Average - \$30,331	<u>PART I - Supplemental Retirement Plan</u>
Basic Annuity - \$17,061 per year (b) \$ 1,421 per month	High-5 Average - \$28,088 (a)
Penalty for Early Retirement - 0%	Basic Annuity - \$12,640 (c)
Monthly Annuity at Age 55 - \$1,421 per month	Less 50% Penalty for Early Retirement - \$6,320 (d) \$ 527 per month
	<u>PART II - Social Security</u>
	Annual Salary Last Year of Work - \$33,290 (e)
	Eligibility for Reduced Benefits at Age 62 - \$6,108 per year (e) \$ 509 per month
	Eligibility for Full Benefits at Age 67 - \$8,748 per year (e) \$ 729 per month
	Monthly Supplemental Retirement Plan at Age 55 - \$527 per month
	Total Combined Annuity/Social Security at Age 67 - \$1,256 per month

NOTES: (a) A high-5 average salary base for annuity computation rather than high-3 can be assumed based upon the retirement proposals announced by the Administration.
(b) Currently based on 7% employee contributions.
(c) Supplemental Retirement Plan is proposed at 5.6% employee contribution. This can be assumed to produce a reduced basic annuity in proportion to the difference between what the current 7% employee contribution may earn compared to a 5.6% contribution.
(d) Early retirement penalty of 50% of annuity.
(e) Current (1983) maximum annual earnings allowed for Social Security benefit computation is \$35,700. Maximum annuity at age 62 is \$509 per month and maximum at age 65 is \$729 per month. Full benefit age will be extended to age 66 in the year 2009 and to age 67 in 2027. Age 62 for reduced benefits (70% of full benefits) will continue to be retained.



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Impact on CIA of Higher Retirement Age and Related Changes

- Retirement at 50 made available in recognition of dangers and burdens of the work, early burn-out potential and need for prospect of rapid advancement to attract quality of recruits required.

- People who committed their careers on this basis view withdrawal as a breach of faith.

- All at CIA believe that our best and most valuable people are likely to leave in large numbers to begin second careers now if retirement terms are significantly altered.

- Enough will leave to seriously set back rebuilding of intelligence currently under way and result in loss of critical skills.

- Managers are deeply concerned that extending the age of retirement, as contemplated by the retirement proposals and the Social Security legislation, will make it difficult to retain current employees and attract new individuals possessing critical skills who are willing to make a career in intelligence. We cannot maintain either security or a professional intelligence service if we must rely upon people who are only willing to come to CIA for a few years of excitement and then feel that they must leave in order to earn a salary and retirement benefits appropriate to their skills.

- Loss of early retirement would impair our ability to compete with the private sector for high-level talent in critical scientific and technological areas, where we are currently able to hold people who can double their earnings any day. We'd lose hundreds of these people very quickly if the arrangements on which they rely for their family's security were suddenly taken away.

- We are in trouble if we begin to attract persons who come to or stay at CIA only because they have no other employment opportunities. Before they reach age 65, CIA officers are often compromised and their effectiveness diminished; others are not up to the particular rigors of Agency assignments.

- Retirement at ages earlier than elsewhere in the government also has been a key feature of our personnel management system because such attrition created sufficient promotion opportunities for promising officers. Extending the retirement age will have a devastating long-term impact on the promotion aspirations of our best young officers and will impair the ability of Agency managers to attract and retain skilled professional employees.

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Washington, D.C. 20505

24 March 1983

The Honorable David A. Stockman
Director, Office of Management and Budget
Washington, D.C. 20503

Dear Dave:

Last week I conveyed to the President my special concern that certain proposals for changes in the Federal retirement system set forth in the Fiscal Year 1984 Budget would have a severe impact on the Central Intelligence Agency.

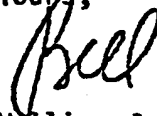
My concern is primarily over those changes which will force employees to work longer in order to earn a full retirement annuity. These changes directly impact on my responsibility as Director and our management of Agency personnel, both those covered by the Civil Service Retirement Act and the limited number who qualify for the Agency's special retirement system.

As far back as 1959, CIA established a policy which encouraged employees to retire at ages substantially earlier than elsewhere in the Federal Government. The policy was established for several reasons: to recognize those aspects of Agency employment where individuals serve anonymously under conditions involving personal sacrifice, stress, and often danger; to maintain a rigorous and productive work-force which is fully and quickly responsive to the Nation's intelligence needs; and to ensure an effective career development program which provides and manages advancement to positions of increasing responsibility. That retirement policy--which has served the Agency exceedingly well these past 24 years--remains an integral part of the Agency's personnel management system. It helps maintain the extremely high level of performance required by CIA's mission and responsibilities by providing the attrition necessary for both career development and recruitment of new employees.

Lengthening the service of Agency employees by as much as ten years would seriously impair the ability of Agency management to move promising individuals up through the ranks. Our mid-career personnel would be hardest hit by the retirement age increase and annuity reduction proposals, and we cannot run the risk that many might choose to leave now rather than face the consequences of these changes.

You know that I fully support the efforts you and the President are making to cut the cost of government and it is for this reason that I was reluctant to seek relief from the proposed retirement changes. I fear, however, that the retirement age increase and annuity reduction proposals will make it exceedingly difficult for us to manage the CIA and to contribute further to the effort to revitalize and enhance the Agency's intelligence capability and product. The President indicated a desire to develop a method of preserving the special systems which have contributed to performance in critical areas and I will stop by after the Easter recess to discuss possibilities with you.

Yours,



William J. Casey
Director of Central Intelligence



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PERMANENT SELECT COMMITTEE
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WASHINGTON, D.C. 20515

Executive Registry

83-1792

March 25, 1983

Honorable William Casey
Director of Central Intelligence
Washington, D. C. 20505

Dear Mr. Casey:

Recently you brought to my attention your deep concern about proposed changes in the federal retirement system. You clearly conveyed in our discussion the great uncertainty and confusion experienced by many Agency personnel about their personal situations.

In light of recent events, it is now possible for me to respond with some observations I trust will offer reassurance to serving Agency personnel. First, the FY 84 budget resolution passed by the House posits no savings associated with changes that would affect current serving federal employees in the Civil Service Retirement System or the CIA Retirement and Disability System. The only provision affecting such employees is a proposed 4 percent comparability increase in federal salaries. The FY 84 budget request contained no increase.

Second, the House leadership, the chairman of the House Post Office and Civil Service Committee and I all agree that any consideration of changes in federal retirement systems must be considered thoroughly and deliberately. No House action on federal retirement changes is planned in 1983.

Third, if changes are considered which affect either CSRS or FERS, I intend to insure that the needs and special circumstances of all intelligence employees are fully understood. In particular, early retirement for overseas operational service should be retained.

As you will appreciate, the Senate has yet to act on a FY 84 budget resolution. I believe there is a similar hesitancy on the part of key Senators to change federal retirement policy at this time. In the event of a difference between two Houses, however, the House position on preserving the present system - particularly in the area of retirement ages - is a strong one upon which House conferees would be bound to insist.

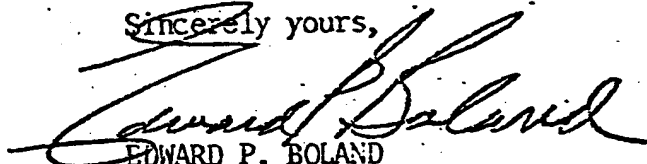
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I trust this letter will serve to reassure those employees who have questions about the Congress's attitude to the President's proposals. A competent federal work force, of which a strong intelligence cadre is an essential part, must have retirement systems competitive with those in the private sector. It must also have confidence that the essential features of those systems will not change.

With every good wish, I am

Sincerely yours,



EDWARD P. BOLAND
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United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, D.C. 20513

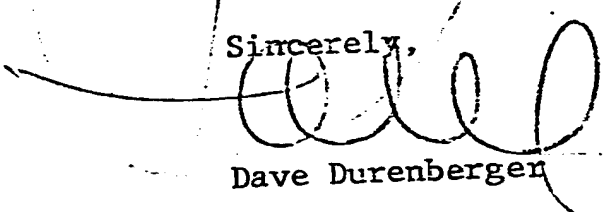
April 11, 1983

The Honorable William J. Casey
Director of Central Intelligence
Central Intelligence Agency
Washington, D.C. 20505

Dear Bill:

I hope these copies of a recent floor statement will help you reassure intelligence personnel that we are sensitive to their concerns. Service on the Intelligence Committee does give us some insight into their great contribution to the national security.

Sincerely,


Dave Durenberger



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of America

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Senate

RETIREMENT PROGRAMS FOR THE INTELLIGENCE COMMUNITY

● Mr. DURENBERGER. Mr. President, when we debated the Social Security Amendments of 1983, we were well aware of the concerns expressed by Federal workers. Much of that concern should be allayed by the provision that:

Nothing in this Act shall reduce the accrued entitlement to the future benefits under the federal retirement system of current and retired Federal employees and their families.

Even with this provision, it is essential for each Member of this body to reassure Federal employees of our commitment to insuring their retirement income. The Governmental Affairs Subcommittee on Civil Services, Post Office, and General Services, under the able leadership of the assistant majority leader, will soon address the need to restructure Federal retirement systems affected by this act.

Mr. President, when the full Governmental Affairs Committee considers Federal retirement plans, the committee must be especially sensitive to the need to maintain the integrity of retirement systems for our intelligence personnel. Intelligence is truly the first line of defense for our country, and we cannot afford to let it deteriorate.

Our intelligence officers must always be the cream of the crop. They need skills in foreign languages and

cultures; knowledge of political, economic, and military affairs; administrative ability; and often both mental and physical stamina. The Government cannot offer top salaries even to such highly skilled people. We rely largely on their sense of duty.

A major inducement to these people, Mr. President, is the ability to take early retirement in time to have a second career. Retirement at age 55 with 30 years service—or at age 50 with 20 years service, for most overseas employees of the CIA—is a crucial incentive to top-flight personnel who could easily make more money outside the Government.

Early retirement serves other purposes as well. It enables our intelligence agencies to bring in new blood. It lets them give promotions to younger personnel who have the drive and energy that the exhausting world of intelligence demands. Age brings wisdom, but our intelligence agencies also need hustle. They need early retirement systems—including the CIARDS system for CIA's overseas personnel—to keep performing the difficult and crucial tasks that America entrusts to them.

Mr. President, it is too early to say exactly what a restructured Federal retirement system will look like. But I can assure the fine men and women of our intelligence community that my service on the Select Committee on Intelligence has made me well aware of how much we depend upon them. I am determined that they, in turn, will be able to depend upon us.●